

CITY OF DRAPER
DRAPER, UTAH
BASIC FINANCIAL STATEMENTS

For The Year Ended June 30, 2005

CITY OF DRAPER
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For The Year Ended June 30, 2005

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of City Council
City of Draper
Draper, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the City of Draper, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Draper's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Draper, as of June 30, 2005, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 30, 2005 on our consideration of the City of Draper's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 5 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Draper's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wiggins & Co. P.C.

Sandy, Utah
December 30, 2005

CITY OF DRAPER
MANAGEMENT DISCUSSION AND ANALYSIS
For The Year Ended June 30, 2005

This discussion and analysis of the City of Draper's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City of Draper exceeded its liabilities at the close of 2005 by \$364 million (net assets). This large increase compared to the \$64 million reported in 2004 is a result of revised reporting requirements. Of this amount, \$18 million (unrestricted net assets) is available to meet ongoing obligations to citizens and creditors.

The City's Governmental funds reported combined ending fund balance of \$28 million, an increase of \$8 million compared to the prior years' ending amount. Of the combined total fund balance, \$18 is available for spending at the discretion of the City (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the General Fund at June 30, 2005 was \$4.58 million, or over 21% of the non-restricted General Fund revenue. State limits this amount to 18%. The City has excess fund balance in the General Fund of \$722 thousand.

During fiscal year 2004-05 the City's total debt increased \$6.5 million to \$20 million. The City did issue \$7 million in new General Obligation Bonds, but at the same time the City continued to make regularly scheduled interest and principal payments.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the City of Draper's basic financial statements. The City of Draper's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves that will help the reader to gain a more in-depth understanding of the City.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Draper's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. The statements consist of the Statement of Net Assets and the Statement of Activities.

The *Statement of Net Assets* presents information on all of the City of Draper's assets and liabilities, with the difference between the two reported as *net assets*. During fiscal year 2004-05 the City of Draper implemented updated GASB reporting requirements. The changes include reporting general fixed assets such as infrastructure, land, buildings and other assets that were not previously reported. Corresponding liabilities for these assets such as bonds, lease obligations and other financing instruments are reported in their entirety. Increases or decreases over time in net assets gives an indicator as to whether the financial condition of the City is improving or declining.

The *Statement of Activities* presents information showing how the City of Draper's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., debt interest payment when the fiscal year ends between interest payments).

Both of the government-wide financial statements distinguish functions of the City of Draper that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The Governmental Activities of the City of Draper include general government, public safety (police & fire), streets, planning and economic development, and parks and recreation. The Business-type Activities of the City of Draper include the Water Fund, Storm Drain Fund, and Solid Waste Fund.

The government-wide financial statements include not only the City of Draper (the primary government), but also three legally separate component units, Traverse Ridge Special Service District, the Municipal Building Authority of the City of Draper, and the Redevelopment Agency of the City of Draper, for which the City is financially accountable. Financial information for these blended component units are presented with the financial statements for the City.

The City's Financial Auditors have determined that another legally separate unit, the Draper Foundation should be included as a discreet component unit. This determination was based on the amount of funding that the City provides Draper Foundation.

The government-wide financial statements are found immediately following this discussion and analysis.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and bond covenants, however, City Council establishes other funds to help control and manage money for particular purposes (i.e. Historical Preservation Fund). All of the City's funds can be divided into two categories: Governmental Funds and Proprietary Funds.

Governmental funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end are available for spending. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds statements provide a detailed short-term view to cash, the governmental fund operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) are used to report activities that provide supplies and services for the City's other programs and activities.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately after the statements for major funds.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents the combining statements referred to earlier in connection with non-major Governmental Funds and Internal Service Funds. Combining and individual fund statements and schedules can be found after the Notes in the financial section.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Draper, assets exceeded liabilities by \$364 million at the close of 2005.

	Draper City Net Assets (in Thousands)					
	Governmental Activities		Business-Type Activities		Total Government	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Current and other assets	\$32,682	\$25,794	\$6,111	\$8,992	\$38,793	\$34,786
Capital assets (net of acc. dep.)	\$323,256	\$45,794	\$27,783	\$8,924	\$351,038	\$54,718
Total assets	\$355,938	\$71,588	\$33,893	\$17,916	\$389,832	\$89,504
Long-term debt outstanding	\$19,417	\$18,726	\$228	\$1,854	\$19,645	\$20,580
Current and Other liabilities	\$5,234	\$4,335	\$449	\$587	\$5,682	\$4,922
Total liabilities	\$24,651	\$23,061	\$677	\$2,441	\$25,328	\$25,502
Net assets:						
Invested in capital assets net of related debt	\$303,065	\$25,632	\$26,373	\$9,079	\$329,438	\$34,711
Restricted	\$16,455	\$16,650	\$0	\$2,863	\$16,455	\$19,513
Unrestricted	\$11,768	\$6,245	\$6,843	\$3,533	\$18,611	\$9,778
Total net assets	\$331,288	\$48,527	\$33,216	\$15,476	\$364,504	\$64,003

The City uses these capital assets to provide services to residents; consequently these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets may be used to meet the City's ongoing obligations to residents and creditors.

The City continues to report positive balances in all three categories of net assets, for the government as a whole, as well as for its separate Governmental and Business-type Activities.

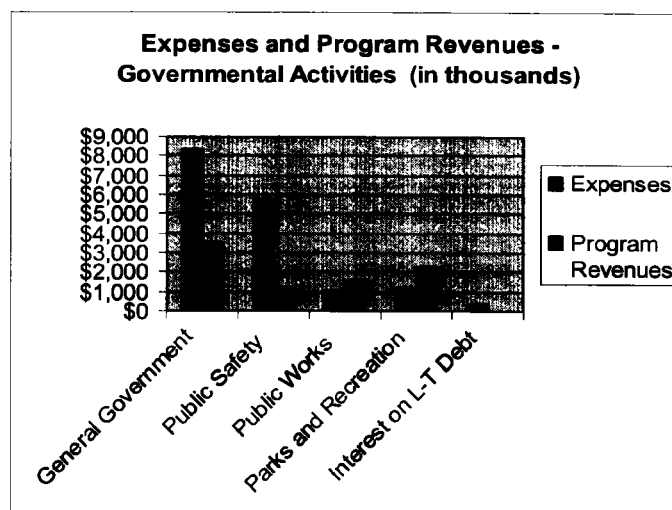
CHANGES IN NET ASSETS

The City's expenses of \$41.8 million exceeded revenues and other financing sources of \$37.7 million.

Draper City Changes in Net Assets (in Thousands)						
	Governmental Activities		Business-Type Activities		Total Government	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Revenues						
Program Revenues	\$3,994	\$2,552	\$5,522	\$5,138	\$9,516	\$7,690
Charges for Services	\$776	\$1,138	\$0	\$0	\$776	\$1,138
Operating grants and contributions	\$1,084	\$1,527	\$0	\$0	\$1,084	\$1,527
Capital grants and contributions	\$192	\$0	\$0	\$0	\$192	\$0
General Revenues						
Taxes	\$12,326	\$11,062	\$0	\$0	\$12,326	\$11,062
Other	\$12,887	\$6,445	\$943	\$2,716	\$13,830	\$9,161
Total Revenues	\$31,259	\$22,724	\$6,465	\$7,854	\$37,724	\$30,577
Expenses						
General Government	\$5,762	\$3,994	\$4,889	\$3,901	\$10,651	\$7,895
Police	\$5,745	\$4,342	\$0	\$0	\$5,745	\$4,342
Public Works	\$2,381	\$2,674	\$0	\$0	\$2,381	\$2,674
Nondepartmental	\$14,790	\$13,139	\$1,945	\$517	\$16,735	\$13,656
Depreciation	\$3,782	\$0	\$545	\$758	\$4,328	\$758
Interest on long-term debt	\$1,946	\$411	\$41	\$39	\$1,987	\$451
Total Expenses	\$34,406	\$24,560	\$7,421	\$5,215	\$41,827	\$29,775
Increase in net assets	\$282,761	\$10,408	-\$956	\$21,733	\$281,805	\$32,141
Net Assets beginning	\$48,527	\$38,119	\$34,853	\$13,120	\$83,380	\$51,239
Net Assets ending	\$331,288	\$48,527	\$33,897	\$34,853	\$365,185	\$83,380

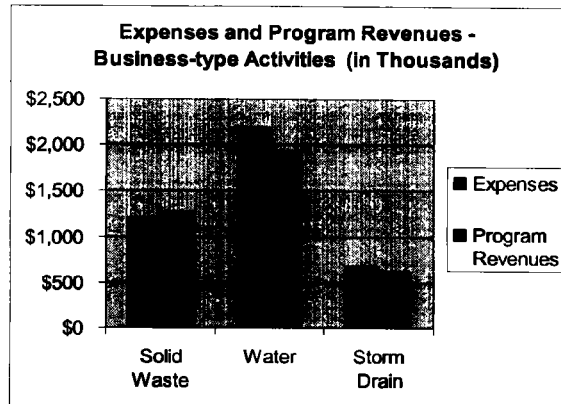
Governmental Activities

Total expenses for Governmental Activities exceeded program revenue by \$3.1 million for FY 2004-05. The following illustrates the Governmental Activities revenues and expenses.



Business-type Activities

Total expenses for Business-type Activities exceeded program revenue by \$956 thousand for FY 2004-05. The following illustrates the Business-type Activities revenues and expenses.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's Governmental Funds are accounted for using the modified accrual basis of accounting. The governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources and the unreserved portion of this total fund balance is a measure of the available spendable resources at June 30, 2005.

As the City completed the year, its Governmental Funds reported a combined fund balance of \$28.3 million, with an increase of \$8 million compared to the prior fiscal year. Of that fund balance, \$18 million was unreserved and undesignated. The remaining \$10.3 million combined fund balance total is reserved and is not available for new spending because it is already committed for the following purposes: (1) encumbrances; (2) loans receivable; (3) restricted assets and (4) land and buildings.

The General Fund accounts for all of the general services provided by the City of Draper. At June 30, 2005, the unreserved fund balance of the General Fund was \$4.56 million. The current General Fund unreserved fund

balance is 21.3% of the non-restricted General Fund revenue. Given the current economy, the City's General Fund ended FY 2004-05 in a strong financial position. The unreserved fund balance amount increased compared to the prior fiscal year amount of \$3.57 million. This amount is in excess of that allowed by State law. It is anticipated that with refined tracking of the current fund balances, future financial statements will reflect no more than 18% unreserved fund balance.

The Capital Projects Fund has a total fund balance of \$16 million at June 30, 2005, all of which is either reserved for restricted assets or designated for unfinished projects.

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

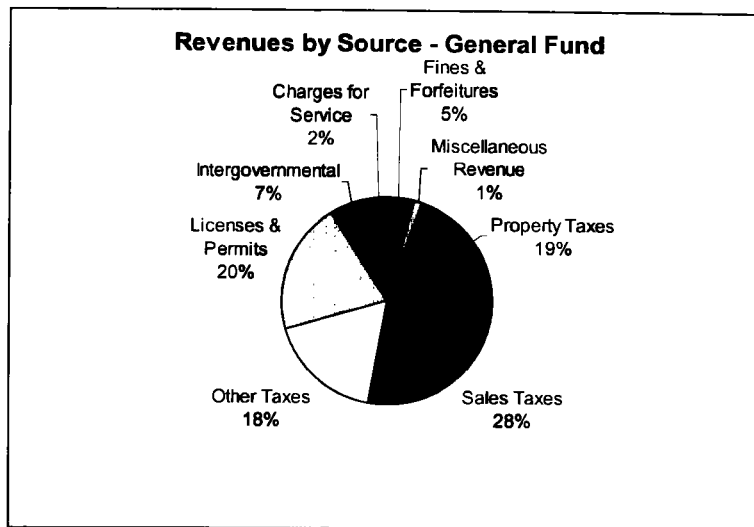
GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original and final amended budgets amount to a total increase in appropriations of \$657,966. By function the changes are:

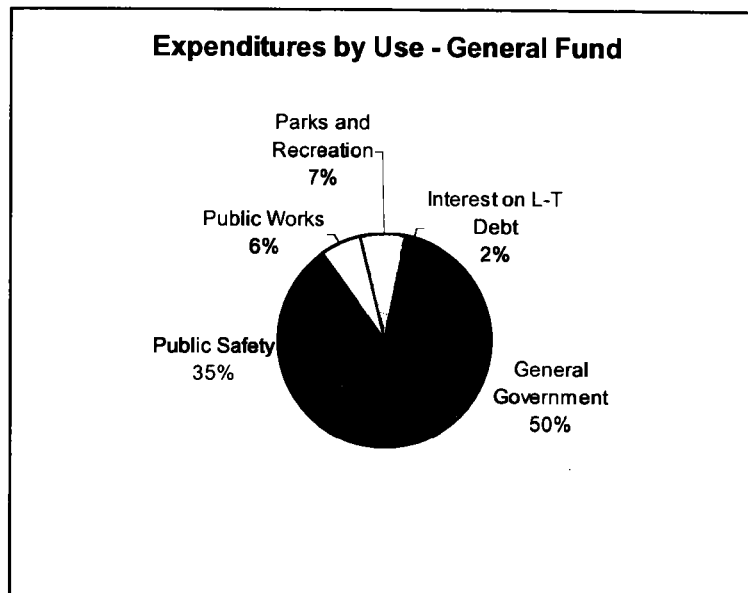
- \$335,620 increase for General Government
- \$940,145 increase for Public Safety
- \$701,549 decrease for Public Works
- \$83,750 increase for Capital Outlay

Increases to the budgets were funded from fund balance.

For the General Fund, the budgeted revenues were \$15.7 million. Actual revenues were \$16.6 million. The following chart represents revenue collection by source.



Budgeted expenditures for the General Fund were \$14.2 million. Actual General Fund expenditures totaled \$14.1 million. The following chart represents the uses by type in the General Fund.



General government expenditures include all administrative functions of the City (i.e. Council, Recorder, Manager, Finance, Attorney, Public Works, Municipal Facilities, and Planning).

All recommended amendments for budget changes came through the Finance Department, to City Council via Resolution as required by State Statute. The Statute requires public hearing and the opportunity for public discussion. The City, per State law, does allow small intra-departmental budget changes that modify line items within departments within the same fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its government and business type activities combined totaled \$351 million net of combined depreciation and amortization at June 30, 2005. Types of assets included in this category are land, land improvements, buildings, machinery and equipment, park and other recreation facilities, roads (including curb and gutter), street lights, traffic signals, parking facilities, and water and waste distribution and collections systems.

Draper City Capital Assets (in Thousands)						
	Governmental Activities		Business-Type Activities		Total Government	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
Land	\$48,354	\$15,729	\$0	\$0	\$48,354	\$15,729
Construction in progress	\$5,233	\$0	\$0	\$0	\$5,233	\$0
Water rights	\$0	\$0	\$132	\$132	\$132	\$132
Other net of depreciation	\$269,560	\$16,557	\$28,049	\$29,445	\$297,609	\$46,002
Bond Issuance Costs net of amortization	\$109	\$0	\$8	\$0	\$117	\$0
Net book value	\$323,256	\$32,286	\$28,190	\$29,577	\$351,445	\$61,863

Debt

The financial statements provide summary of the City's long-term debt.

At June 30, 2005, Draper City's bond debt amounted to \$20.3 million. That portion that is backed by the full faith and credit of the City amounted to \$7 million. All other bonded debt is known as revenue bonds and is secured by specific revenue sources.

In June 2005, the City issued \$7 million in General Obligation Bonds. The proceeds are to be used for the purchase of property in the Corner Canyon area of the City. The property to be purchased is to be set aside as open space for recreational use by the residents and visitors of the City. Draper City's general obligation bonded debt has the following ratings from Moody's Investors Service; Aaa.

General obligation debt of the City is limited by statute to 8 percent of the reasonable fair cash value of property. The debt limit for fiscal year 2004-05 is in excess of \$166.9 million, which is well in excess of the City's outstanding general obligation debt.

Draper City Outstanding Debt General Obligation and Revenue Bonds (in Thousands)						
	Governmental Activities		Business-Type Activities		Total Government	
	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04
General Obligation	\$7,000	\$0	\$0	\$0	\$7,000	\$0
Revenue Bonds	\$13,082	\$13,547	\$270	\$315	\$13,352	\$13,862
Net book value	\$20,082	\$13,547	\$270	\$315	\$20,352	\$13,862

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Draper continues to maintain a strong financial position. The City remained cautious with its spending in FY 2004-05, delaying discretionary purchases and monitoring revenues to continually assess the City's financial position. The Finance Department continues to advise the Council and other administrative departments concerning increased spending in FY 2005-06.

In Fiscal Year 2004-05 the City realized increased Sales Tax revenue. It is anticipated that this trend will continue through Fiscal 2005-06. With several proposed large retail projects coming online over the next several years, sales tax revenues should rise significantly to help meet the increased demand for services. Overall General Fund revenues should offset inflationary increases in expenditures.

The City's utility funds also remain in moderately strong financial condition. Fees for water, garbage pickup, storm water system usage and ambulance services have remained level. The City is revising its fee structure and may need to increase fees to accommodate system maintenance and improvements that have been delayed in previous years.

There is a significant concern regarding residential development in some parts of the City and the timing of construction of public facilities to support this growth. To allow growth in these areas to continue it will be necessary to fund capital projects from sources other than Impact Fees as these fees have not kept pace with residential development. With increased demand on General Fund reserves it may not be possible to construct the necessary public facilities without issuing additional debt.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the funds and assets it receives. If you have questions about this report, or should you need additional financial information, contact the City's Finance Department at City of Draper, 1020 East Pioneer Road, Draper, UT 84020.

CITY OF DRAPER
STATEMENT OF NET ASSETS
June 30, 2005

	Governmental Activities	Primary Government Business-type Activities	Total	Component Unit Draper Community Foundation, Inc.
Assets:				
Current assets:				
Cash and cash equivalents	\$ 10,797,557	\$ 3,614,193	\$ 14,411,750	\$ 124,107
Receivables:				
Accounts	136,240	413,263	549,503	
Franchise taxes	224,365		224,365	
Intergovernmental	(250,000)	250,000		
Prepaid expenses	18,306	1,108	19,414	
Total current assets	10,926,468	4,278,564	15,205,032	124,107
Restricted assets:				
Cash and cash equivalents	21,755,940	1,832,272	23,588,212	
Total restricted assets	21,755,940	1,832,272	23,588,212	
Noncurrent assets:				
Equity investment		998,842	998,842	
Capital assets:				
Land	48,354,165		48,354,165	
Construction in progress	5,232,666		5,232,666	
Other capital assets net of accumulated depreciation	269,559,969	26,643,465	296,203,434	
Investment in shares of water		131,907	131,907	
Bond issuance cost, net of amortization	109,068	8,387	117,455	
Total noncurrent assets	323,255,868	27,782,601	351,038,469	
Total assets	355,938,276	33,893,437	389,831,713	124,107
Liabilities:				
Current liabilities:				
Accounts payable	2,154,980	380,452	2,535,432	
Deposits	1,491,697	11,186	1,502,883	
Accrued liabilities	386,912	1,874	388,786	
Accrued Interest payable	208,802	3,248	212,050	
Bonds payable - due within one year	926,000	50,000	976,000	
Compensated absences - due within one year	65,264	2,069	67,333	
Total current liabilities	5,233,655	448,829	5,682,484	
Noncurrent liabilities:				
Bonds payable - due in more than one year	19,156,000	220,000	19,376,000	
Compensated absences - due in more than one year	261,058	8,277	269,335	
Total noncurrent liabilities	19,417,058	228,277	19,645,335	
Total liabilities	24,650,713	677,106	25,327,819	
Net Assets:				
Invested in capital assets, net of related debt	303,064,800	26,373,464	329,438,264	
Restricted for:				
Impact fees	16,454,804		16,454,804	
Mitigation surcharge				
Unrestricted	11,767,959	6,842,867	18,610,826	124,107
Total net assets	\$ 331,287,563	\$ 33,216,331	\$ 364,503,894	\$ 124,107

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Functions/Programs:	Program Revenues				Net (Expense) Revenue & Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 15,567,930	\$ 4,223,010	\$	\$ 4,151,810	\$ (7,193,110)	\$	\$
Public safety	6,061,997	751,448	192,363		(5,118,186)		(5,118,186)
Highways and public improvements	3,563,834		1,083,843		(2,479,991)		(2,479,991)
Parks and recreation	1,455,843				(1,455,843)		(1,455,843)
Interest on long-term debt	1,945,955	585,435			(1,360,520)		(1,360,520)
Total governmental activities	28,595,559	5,559,893	1,276,206	4,151,810	(17,607,650)		(17,607,650)
Business-type activities:							
Water	2,156,374	2,010,455				(145,919)	(145,919)
Storm drain	832,919	1,298,942				466,023	466,023
Solid waste	1,199,409	1,263,661				64,252	64,252
Interest on long-term debt	19,820					(19,820)	(19,820)
Total business-type activities	4,208,522	4,573,058				364,536	364,536
Total primary government	\$ 32,804,081	\$ 10,132,951	\$ 1,276,206	\$ 4,151,810	\$ (17,607,650)	\$ 364,536	\$ (17,243,114)
Component units:							
Draper Community Foundation, Inc.	\$ 39,610	\$ 35,424	\$ 25,200	\$	\$	\$	\$ 21,014
Total component unit	\$ 39,610	\$ 35,424	\$ 25,200	\$	\$	\$	\$ 21,014
General revenues:							
Property taxes		\$ 5,035,990			\$ 5,035,990		\$
Sales and franchise taxes		7,289,943			7,289,943		7,289,943
Proceed from debt		7,058,140			7,058,140		7,058,140
Grants and contributions not restricted to specific programs						1,200	1,200
Gain on sale of fixed assets						12,795	650,826
Unrestricted investment earnings						103,258	103,258
Transfers					1,691,491	(1,691,491)	
Total general revenues and transfers					21,713,595	(1,574,238)	20,139,357
Change in net assets					4,105,945	(1,209,702)	2,896,243
Net assets - beginning					327,181,618	34,426,033	361,607,651
Prior period adjustment							
Net assets - ending					\$ 331,287,563	\$ 33,216,331	\$ 364,503,894

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
BALANCE SHEET - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Debt Service	Capital Project Fund	Special Revenue Park Fund	Other Governmental funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 2,080,045	\$	\$ 6,405,656	\$	\$ 2,311,856	\$ 10,797,557
Restricted cash and cash equivalents	4,089,277		11,693,787	3,419,550	2,553,326	21,755,940
Amount to be provided		20,082,000				20,082,000
Receivables:						
Franchise taxes	224,364					224,364
Other	136,240					136,240
Due from other funds	200,000		480,000			680,000
Prepaid expenses						
Total assets	\$ 6,729,926	\$ 20,082,000	\$ 18,579,443	\$ 3,419,550	\$ 4,865,182	\$ 53,676,101
Liabilities:						
Accounts payable	\$ 223,355	\$	\$ 1,928,106	\$	\$ 3,519	\$ 2,154,980
Deposits	1,206,587		285,110			1,491,697
Accrued liabilities	713,234					713,234
Other payables		20,082,000	250,000		680,000	20,082,000
Due to other funds						930,000
Total liabilities	2,143,176	20,082,000	2,463,216		683,519	25,371,911
Fund balances:						
Reserved for -						
Impact fees - transportation			6,337,921		1,426,736	7,764,657
Impact fees - park			2,524,259			2,524,259
Impact fees - RDA			37,166			37,166
Impact fees - water			1,075,321			1,075,321
Impact fees - storm water			1,928,291			1,928,291
Impact fees - MBA			(209,171)			(209,171)
Impact fees - park				3,419,550		3,419,550
Impact fees - police					171,296	171,296
Impact fees - fire					(465,736)	(465,736)
Mitigation surcharge						
Unreserved - undesignated	4,586,750		4,422,440		3,049,367	12,058,557
Total fund balances	4,586,750		16,116,227	3,419,550	4,181,663	28,304,190
Total liabilities and fund balances	\$ 6,729,926	\$ 20,082,000	\$ 18,579,443	\$ 3,419,550	\$ 4,865,182	\$ 53,676,101

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types	\$ 28,304,190
Capitalized prepaid costs of long-term debt	127,374
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. The cost of the assets is \$348,503,029 less the accumulated depreciation of \$25,356,229.	323,146,800
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	(20,290,801)
Net assets of governmental activities	<u>\$ 331,287,563</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2005

	General	Debt Service	Capital Project Fund	Special Revenue Park Fund	Other Governmental Funds	Total Governmental Funds
Revenue:						
Property taxes	\$ 2,976,750	\$	\$	\$	\$ 2,059,240	\$ 5,035,990
Sales taxes	4,504,654					4,504,654
Franchise taxes	2,785,289					2,785,289
Licenses and permits	3,243,005					3,243,005
Intergovernmental revenues	1,083,843					1,083,843
Charges for services	776,255					776,255
Impact fees				2,216,455	1,935,355	4,151,810
Fines and forfeitures	751,448					751,448
Interest income	328,109		74,202	54,061	129,063	585,435
Miscellaneous	203,750					203,750
Total revenues	<u>16,653,103</u>		<u>74,202</u>	<u>2,270,516</u>	<u>4,123,658</u>	<u>23,121,479</u>
Expenses:						
Interest, debt service costs, and bond issuance costs	342,209				1,603,746	1,945,955
General government	5,512,165				249,539	5,761,704
Public safety	5,744,754					5,744,754
Highway and public improvements	1,041,440				172,670	1,214,110
Parks, recreation and public property	1,167,334					1,167,334
Capital outlay and grant expenses	<u>299,057</u>		<u>7,750,503</u>		<u>634,782</u>	<u>8,684,342</u>
Total expenses	<u>14,106,959</u>		<u>7,750,503</u>		<u>2,660,737</u>	<u>24,518,199</u>
Excess of revenues over (under) expenses	<u>2,546,144</u>		<u>(7,676,301)</u>	<u>2,270,516</u>	<u>1,462,921</u>	<u>(1,396,720)</u>
Other financing sources (uses):						
Proceed from debt	7,058,140					7,058,140
Grant revenue	192,363					192,363
Proceeds from sale of assets	638,031					638,031
Transfers in	249,480		18,227,052	4,197	1,241,764	19,722,493
Transfers out	<u>(9,887,711)</u>		<u>(1,196,025)</u>	<u>(1,835,546)</u>	<u>(5,111,720)</u>	<u>(18,031,002)</u>
Total other financing sources (uses)	<u>(1,749,697)</u>		<u>17,031,027</u>	<u>(1,831,349)</u>	<u>(3,869,956)</u>	<u>9,580,025</u>
Excess of revenues and other financing sources over (under) expenses and other uses	796,447		9,354,726	439,167	(2,407,035)	8,183,305
Fund balance, beginning of year	3,790,303		6,761,501	2,980,383	6,588,698	20,120,885
Adjustment to fund balance						
Fund balance, end of year	<u>\$ 4,586,750</u>	<u>\$</u>	<u>\$ 16,116,227</u>	<u>\$ 3,419,550</u>	<u>\$ 4,181,663</u>	<u>\$ 28,304,190</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ 8,183,305
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Governmental funds report capital outlays as expenses. However, in the statement of activities, assets with an initial cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	\$ 8,933,822	
Depreciation expense	<u>(3,858,237)</u>	5,075,585

Bond proceeds and capital leases provide current financial resources to governmental funds by issuing debt which increases long-term liabilities in the Statement of Net Assets. Repayments of bond and capital lease principal are expenses in the governmental funds, but reduce liabilities in the Statement of Net Assets.

Proceeds from bonds	(7,058,140)	
Payment of bond principal	(320,000)	
Capital lease payments	<u>(146,954)</u>	(7,525,094)

Expenses are recognized in the governmental funds when paid or due for: items not normally paid with available financial resources and interest on long-term debt. However, the Statement of Activities is presented on the accrual basis and expenses and liabilities are reported when incurred, regardless of when financial resources are available or expenses are paid or due. This adjustment combines the net changes of compensated absences and accrued interest on bonds payable.

(1,627,851)

Changes in net assets of governmental activities

\$ 4,105,945

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
GENERAL FUND - GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Property taxes	\$ 2,726,752	\$ 2,855,380	\$ 2,976,750	\$ 121,370
Sales taxes	3,976,600	3,995,061	4,504,654	509,593
Franchise taxes	2,753,900	2,886,250	3,243,005	356,755
Licenses and permits	1,798,709	3,092,045	2,785,289	(306,756)
Intergovernmental revenues	1,660,735	1,083,843	1,083,843	
Charges for services	562,565	256,498	776,255	519,757
Fines and forfeitures	475,000	854,649	751,448	(103,201)
Interest income	35,000	78,623	328,109	249,486
Miscellaneous	274,815	670,523	203,750	(466,773)
Total revenues	<u>14,264,076</u>	<u>15,772,872</u>	<u>16,653,103</u>	<u>880,231</u>
Expenses:				
Interest, debt service costs, and bond issuance costs	308,654	426,073	342,209	83,864
General government	5,214,120	5,549,740	5,512,165	37,575
Public safety	4,857,759	5,797,904	5,744,754	53,150
Highway and public improvements	1,686,180	1,234,430	1,041,440	192,990
Parks, recreation, and public safety	1,478,959	1,229,160	1,167,334	61,826
Capital outlay		83,750	299,057	(215,307)
Total expenses	<u>13,545,672</u>	<u>14,321,057</u>	<u>14,106,959</u>	<u>214,098</u>
Excess of revenue over (under) expenses	<u>718,404</u>	<u>1,451,815</u>	<u>2,546,144</u>	<u>1,094,329</u>
Other financing sources (uses):				
Proceed from debt		7,139,335	7,058,140	(81,195)
Grant revenue		304,398	192,363	(112,035)
Proceeds from sale of assets		444,195	638,031	193,836
Transfers in	303,281	303,281	249,480	(53,801)
Transfers out	(1,223,346)	(11,075,837)	(9,887,711)	1,188,126
Total other financing sources (uses)	<u>(920,065)</u>	<u>(2,884,628)</u>	<u>(1,749,697)</u>	<u>1,134,931</u>
Excess of revenues and other financing sources over (under) expenses and other uses	<u>\$ (201,661)</u>	<u>\$ (1,432,813)</u>	<u>796,447</u>	<u>\$ 2,229,260</u>
Fund balance, beginning of year			<u>3,790,303</u>	
Fund balance, end of year			<u>\$ 4,586,750</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
SPECIAL REVENUE PARK FUND - GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2005

	Budgeted Amounts			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual Amounts	
Revenues:				
Impact fees	\$ 1,500,000	\$ 1,500,000	\$ 2,216,455	\$ 716,455
Interest income	10,000	10,000	54,061	44,061
Total revenues	<u>1,510,000</u>	<u>1,510,000</u>	<u>2,270,516</u>	<u>760,516</u>
Expenses:				
Capital outlay	<u>1,908,054</u>	<u>620,000</u>		<u>620,000</u>
Total expenses	<u>1,908,054</u>	<u>620,000</u>		<u>620,000</u>
Excess of revenue over (under) expenses	<u>(398,054)</u>	<u>890,000</u>	<u>2,270,516</u>	<u>1,380,516</u>
Other financing sources (uses):				
Transfers in			4,197	4,197
Transfers out	<u>(547,492)</u>	<u>(1,835,546)</u>	<u>(1,835,546)</u>	
Total other financing sources (uses)	<u>(547,492)</u>	<u>(1,835,546)</u>	<u>(1,831,349)</u>	<u>4,197</u>
Excess of revenues and other financing sources over (under) expenses and other uses	<u>\$ (945,546)</u>	<u>\$ (945,546)</u>	<u>439,167</u>	<u>\$ 1,384,713</u>
Fund balance, beginning of year			<u>2,980,383</u>	
Fund balance, end of year			<u>\$ 3,419,550</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Fleet Operations Internal Service Fund
	Water	Storm Water	Nonmajor Solid Waste	Total	
Assets:					
Current assets:					
Cash and cash equivalents	\$ 2,812,498	\$ 817,689	\$ (15,994)	\$ 3,614,193	\$ (45,376)
Prepaid expenses	1,108			1,108	
Receivables:					
Due from other funds	250,000			250,000	
Accounts	195,421	87,715	130,126	413,262	
Total current assets	3,259,027	905,404	114,132	4,278,563	(45,376)
Restricted assets:					
Cash and cash equivalents	737,841	1,094,431		1,832,272	
Total restricted assets	737,841	1,094,431		1,832,272	
Noncurrent assets:					
Equity investment			998,842	998,842	
Capital assets:					
Property and equipment, net of depreciation	15,929,281	10,714,184		26,643,465	1,405,833
Invested in water shares	131,907			131,907	
Bond insurance cost, net of amortization	8,387			8,387	
Total noncurrent assets	16,069,575	10,714,184	998,842	27,782,601	1,405,833
Total assets	\$ 20,066,443	\$ 12,714,019	\$ 1,112,974	\$ 33,893,436	\$ 1,360,457
Liabilities:					
Current liabilities:					
Accounts payable	\$ 155,962	\$ 1,062	\$ 223,427	\$ 380,451	\$ 13,821
Deposits	9,000	2,186		11,186	
Accrued liabilities	1,874			1,874	1,279
Compensated absences - due within one year	1,428	501	140	2,069	251
Accrued interest payable	3,248			3,248	5,631
Bonds payable due within one year	50,000			50,000	
Capital leases payable - due within one year					213,236
Total current liabilities	221,512	3,749	223,567	448,828	234,218
Noncurrent liabilities - due in more than one year:					
Compensated absences	5,711	2,006	560	8,277	1,008
Capital leases payable due in more than one year					444,645
Bonds payable due in more than one year	220,000			220,000	
Total noncurrent liabilities	225,711	2,006	560	228,277	445,653
Total liabilities	447,223	5,755	224,127	677,105	679,871
Net assets:					
Invested in capital assets, net of related debt	15,659,281	10,714,184		26,373,465	1,405,833
Unrestricted	3,959,939	1,994,080	888,847	6,842,866	(725,247)
Total net assets	19,619,220	12,708,264	888,847	33,216,331	680,586
Total liabilities and net assets	\$ 20,066,443	\$ 12,714,019	\$ 1,112,974	\$ 33,893,436	\$ 1,360,457

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds			Fleet Operations Internal Service Fund
	Water	Storm Drain	Nonmajor Solid Waste	Total
Operating revenues:				
Water sales	\$ 1,688,102	\$	\$	\$ 1,688,102
Storm water utility fee		602,327		602,327
Garbage sales			1,263,661	1,263,661
Impact Fees	117,285	696,614		813,899
Connection fees	110,265			110,265
Other revenue	94,803			94,803
				948,613
Total operating revenues:	2,010,455	1,298,941	1,263,661	4,573,057
Operating expenses:				
Salaries and wages	260,141	30,639	35,302	326,082
Utilities	137,341	547		137,888
Water charges	910,717			910,717
Storm drain charges		35,799		35,799
Landfill fees			218,710	218,710
Sanitation charges			918,973	918,973
Supplies and maintenance	126,189	57,522		183,711
Repairs and maintenance		152,000		152,000
Administrative	81,036	79,533	26,425	186,994
Depreciation	640,950	476,878		1,117,828
				427,290
Total operating expenses:	2,156,374	832,918	1,199,410	4,188,702
				700,502
Excess of revenues over (under) expenditures	(145,919)	466,023	64,251	384,355
				248,111
Nonoperating revenues (expenses):				
Interest income	60,041	41,364	1,854	103,259
Sale of asset		12,795		12,795
Bond interest expense	(19,820)			(19,820)
Capital contributions	1,200			1,200
Transfer from other funds	550,869	248,240		799,109
Transfers to other funds	(1,085,600)	(1,405,000)		(2,490,600)
Total nonoperating revenues (expenses)	(493,310)	(1,102,601)	1,854	(1,594,057)
				5,808
Net income	(639,229)	(636,578)	66,105	(1,209,702)
				253,919
Net assets, beginning	20,258,449	13,344,842	822,742	34,426,033
Prior period adjustment				426,667
Net assets, ending	\$ 19,619,220	\$ 12,708,264	\$ 888,847	\$ 33,216,331
				\$ 680,586

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For The Year Ended June 30, 2005

	Business-type Activities - Enterprise Funds				Fleet Operations Internal Service Fund
	Water	Storm Drain	Nonmajor Solid Waste	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 2,675,898	\$ 1,589,782	\$ 1,280,457	\$ 5,546,137	\$ 948,613
Cash payments to suppliers for goods and services	(1,949,984)	(632,944)	(1,396,287)	(3,979,215)	(225,036)
Cash payments to employees and professional contractors for services	(253,002)	(29,990)	(34,602)	(317,594)	(60,751)
Net cash provided (used) by operating activities	472,912	926,848	(150,432)	1,249,328	662,826
Cash flows from capital and related financing activities:					
Capital contributions	1,200			1,200	
Proceeds from lease					368,210
Principal payments on bonds	(45,000)			(45,000)	
Principal payments on notes payable					(206,169)
Interest paid on bonds	(19,820)			(19,820)	(21,086)
Purchase of equipment / improvements	(9,467)			(9,467)	(794,012)
Proceeds from sale of assets		12,794		12,794	24,842
Transfer of assets in	550,869	248,241		799,110	
Transfer of assets out	(1,085,600)	(1,405,000)		(2,490,600)	
Net cash provided (used) by financing activities	(607,818)	(1,143,965)		(1,751,783)	(628,215)
Cash flows from investing activities:					
Interest from investments	60,041	41,363	1,854	103,258	3,210
Net cash provided (used) by investing activities	60,041	41,363	1,854	103,258	3,210
Net increase (decrease) in cash	(74,865)	(175,754)	(148,578)	(399,197)	37,821
Cash at beginning of year	3,625,204	2,087,874	132,584	5,845,662	(83,196)
Cash at end of year	\$ 3,550,339	\$ 1,912,120	\$ (15,994)	\$ 5,446,465	\$ (45,375)
Reconciliation of operating income (loss) to net cash provided (used)					
by operating activities:					
Operating income (loss)	\$ (145,919)	\$ 466,023	\$ 64,251	\$ 384,355	\$ 248,111
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:					
Amortization	1,108			1,108	
Depreciation	640,950	476,878		1,117,828	427,290
Gain on sale of asset					(23,684)
(Increase) decrease in assets:					
Accounts receivable	53,333	(11,557)	58,489	100,265	
Equity investment			(393,956)	(393,956)	
Increase (decrease) in liabilities:					
Accounts payable	(61,748)	(5,145)	120,084	53,191	7,441
Deposits	(21,935)			(21,935)	
Accrued liabilities	7,123	649	700	8,472	3,668
Net cash provided (used) by operating activities	\$ 472,912	\$ 926,848	\$ (150,432)	\$ 1,249,328	\$ 662,826

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Draper (the City) was incorporated on April 17, 1978, as a third class city under the provisions of the State of Utah. The City is a municipal corporation, which operates under an elected mayor – council form of government. The governing body consists of five elected council members and a mayor, each of which are elected to serve a four-year term. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager. The City provides the following services as authorized by its charter: general administrative services, public safety (police and fire), highways and streets, solid waste, recreation and parks, public improvements, and planning and zoning.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB pronouncements issued after that date to its business-type activities-enterprise funds, and the City has chosen to do so. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement). Beginning with the fiscal year ending June 30, 2003, the City implemented the statement which made the following significant changes to the City's financial statements (including notes to the financial statements):

- A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the City's activities including infrastructure (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(A) The Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in the related GASB pronouncement. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of the ability to exercise oversight is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability of fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. The separate financial statements can be obtained from the City.

Discretely Presented Component Unit

The Draper Community Foundation, Inc. is a legally separate entity from the City with its own 501(c)(3) status and is included as a discrete component unit. The City Council appoints 2 members of the board and appropriated \$126,100 to the board in fiscal year 2005. Its 501(c)(3) status allows the board to apply for other funding.

Blended Component Unit

The City has three blended component units which are reported with the primary government. All three units are entities which are legally separate from the City, and governed by the City Council.

1. The Draper City Redevelopment Agency (RDA), for financial reporting purposes, is reported as if it were part of the City's operations because its purpose is to finance and provide redevelopment services to citizens of the City. The RDA is reported as a special revenue fund.
2. The Draper City Municipal Building Authority (MBA), for financial reporting purposes, is reported as if it were part of the City's operations because its purpose is to acquire, improve, or extend projects and to finance their costs on behalf of the City.
3. The Traverse Ridge Special Service District, for financial reporting purposes, is reported as if it were part of the City's operations because its purpose is to provide highway and transportation services, for the area within the City known as Suncrest, including: snow removal, street lighting, road repair and maintenance, sweeping and disposal services.

The City is not a component unit of any other entity. The City's basic financial statements include all City operations.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(B) Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks and recreation, public works, and general administrative services are classified as governmental activities. The City's water, storm drain, and solid waste services are classified as business-type activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those which are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The solid waste fund is the only nonmajor business type activity (enterprise fund) and is included as a separate column in the statements for the proprietary funds.

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year collected. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expense. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of the related liability, rather than an expense.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenses generally are recorded when a liability is incurred, as under accrual accounting. However, debt-service expenses, as well as expenses related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, interest, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes are measurable as of the date levied (assessed) and are recognized as revenues when they become available. Available means when due, or past due, and received within the current period or collected soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. All other revenues are considered to be measurable and available only when cash is received by the City.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues, and expenses or expenses as appropriate.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial operations of the City, except those required to be accounted for in another fund. Principal sources of revenue are taxes, licenses and permits and intergovernmental revenues. Primary expenses are for the general government, public safety, public works and parks and recreation.

Debt Service Fund accounts for long-term general obligation bonds payable.

The Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of the major capital facilities of the government (other than those financed by enterprise funds).

The Park Impact Fund accounts for park related system impact fees derived from new development and their use.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)
Additionally, the City reports nonmajor funds within the governmental fund type.

The Municipal Building Authority accounts for the accumulation of resources and payment of principal and interest on lease revenue bonds.

The Redevelopment Agency accounts for property tax increment revenues from redevelopment areas within the City and will be used to revitalize and upgrade these areas of the City with quality developments.

The Fire Impact Fund accounts for fire related impact fees derived from new development and the need for related capital assets.

Special Revenue Traverse Ridge Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenses for specified purposes in the Special District.

The Police Impact Fund accounts for police related impact fees derived from new development and the need for related capital assets.

The Transportation Impact Fund accounts for road related impact fees derived from new development and their use.

The City reports the following major proprietary funds:

The Water Fund accounts for the activities of the City's water distribution system.

The Storm Water Fund accounts for the activities of the City's storm drain distribution system.

The Solid Waste Fund (nonmajor fund) accounts for the activities of the City's solid waste collection operations. This is the only nonmajor proprietary fund and is included as a separate column as a nonmajor fund.

Additionally, the government reports the fleet operations internal service fund for services to other departments or agencies of the government on a cost basis.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, than unrestricted resources as they are needed.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments to the General Fund by various Enterprise Funds for providing administrative and billing services for such funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(C) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, storm water fund, and solid waste fund, are charges to customers of the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

(D) Budgetary Data

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements –

- (1) Prior to May 1, the City Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenses and the means of financing them.
- (2) Public hearings are conducted in the City to obtain taxpayer comments.
- (3) Prior to June 22, the budget is formally adopted after a public hearing.
- (4) The City Manager has authority to transfer budget appropriations between individual line items within any department of any budgetary fund.
- (5) The City Council, by resolution, has the authority to transfer budget appropriations between the individual departments of any budgetary fund.

Formal budgetary integration is employed as a management control device during the year for the general fund, debt service fund, special revenue funds, and capital project fund. In the general fund, budgets are adopted at the functional level and budgetary control is exercised at the departmental level. For special revenue funds, budgets are adopted and control is exercised at the level of total expenses for each individual fund. For capital project funds, budgets are adopted and control is exercised at the project level.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(D) Budgetary Data (continued)

Annual budgets for the general fund, debt service fund, capital project fund and all special revenue funds (Park Impact Fund, Fire Impact Fund, Municipal Building Authority, Traverse Ridge Special Service District, Transportation Impact Fund, Police Impact, and Redevelopment Agency funds), and the capital projects fund were legally adopted by the City and are prepared on the modified-accrual method of accounting.

The City expended more than the budgeted amount in the general fund as follows:

<u>Expense</u>	<u>Amount over expended</u>
Capital outlay	\$ 215,307

Encumbrances (commitments related to unperformed purchase orders or contracts for goods or services) are used only as an internal management control device during the year. The City does not utilize encumbrances in its accounting policies. Instead, it chooses to maintain a system which keeps track of purchase orders, contracts and other commitments.

Although Utah State law requires the initial preparation of budgets for all City funds (both governmental and proprietary), it only requires the reporting of actual versus such budgets for governmental funds.

(E) Tax Revenues

The majority of property taxes are collected by the Salt Lake County Treasurer and remitted to the City in installments each fiscal year with a final settlement by March 31st. Taxes are levied and are due and payable on November 1st and delinquent after November 30th of each year at which time they become liens if not paid. An accrual of delinquent current and prior year's property taxes beyond the fiscal year end has not been made, as the amounts are not deemed to be material.

Sales taxes are collected by the Utah State Tax Commission and remitted to the City monthly. An accrual has been made for all taxes received by the State for the period ended June 30th and thus due and payable to the City.

Utility and Telecommunication Franchise taxes are charged to various utility companies doing business within the City including telephone, cable television, gas utility, and electric utility companies. The fees are remitted on a monthly, quarterly, semi-annual, or annual basis. An accrual has been made for these taxes due and payable to the City at year end.

(F) Deposits and Investments

Investments of the City are stated at cost. Investments consist of bond reserve accounts and accounts at the Utah Public Treasurers Investment Trust (the State Treasurer's Pool), in the name of the City and are stated at cost, which approximate fair market value.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(G) Investment in Joint Venture

The investment in Trans-Jordan Cities Landfill, a 6.62% owned joint venture is accounted for by the equity method of accounting. Under this method, the Solid Waste Fund (Enterprise Fund) records its share of the joint venture's net income or loss for each period.

(H) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The government reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all items regardless of their acquisition date or amount. The amount capitalized as infrastructure assets was determined based on historical cost. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10 to 25
Buildings and improvements	7 to 40
Improvements other than buildings	7 to 20
Machinery and equipment	3 to 15
Office equipment	3 to 5
Vehicles	5 to 7
Furniture and Fixtures	7

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(I) Property and Equipment, Proprietary Funds

Property and equipment are stated at cost. Depreciation has been provided using the straight-line method over a period of three to forty years.

(J) Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(K) Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Other receivables at June 30, 2005, consist of franchise tax, sales tax, grants, and accounts (billings for user charged services, including unbilled utility services) and are shown net of an allowance for uncollectibles. Management has estimated the allowance for uncollectibles to be \$37,319, which is estimated based on historical trends related to collections of accounts receivable. Taxes, grants, and utility charges are deemed collectible in full.

(L) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

(M) Restricted Assets

Assets whose use is restricted for construction, debt service or by other agreement are segregated on the government-wide and proprietary fund financial statements. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then the unrestricted resources as they are needed.

(N) Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(O) Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. If an employee qualifies for retirement, 25% of the employee's sick leave benefits are paid to the employee's retirement account. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The corresponding expense and expenses are reported in the government-wide statement of activities. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(P) Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenses.

(Q) Fund Balances -- Reserved

Reservations of the fund balance represent amounts that are appropriable and legally segregated for a specific purpose. The reserve fund balance represents impact fees collected and funds reserved for capital project construction. These reserve fund balances are to be used exclusively for future expenses for the purpose for which the funds were collected.

(R) Fund Balances -- Designated

The City Council has elected to designate \$4,422,440 of the unreserved fund balance of the Capital Projects Fund for subsequent years' expenses on planned construction projects.

NOTE 2 CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Interest earned on these funds is allocated to the funds based on their balances, which relate to pooled cash. Each fund's portion of this pool is displayed on the combined balance sheet. Following are the components of the City's cash and investments at June 30, 2005:

Cash and cash equivalents	\$ 14,411,750
Restricted cash and cash equivalents	<u>23,588,212</u>
Total cash and investments	<u>\$ 37,999,962</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 2 CASH AND INVESTMENTS (Continued)

Included in the accompanying fund financial statements as follows:

Governmental activities:

Cash and investments	<u>\$ 32,553,497</u>
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Total governmental activities	<u>32,553,497</u>
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Business-type activities:

Cash and investments – enterprise	<u>5,446,465</u>
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Total business-type activities	<u>5,446,465</u>
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Total cash, cash equivalents and investments	<u>\$ 37,999,962</u>
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Deposits

At June 30, 2005, the carrying amount of the City's deposits was \$37,999,962 and the bank balance was \$13,101,366. Of the bank balance, \$200,000 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations.

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The Act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Investments

At June 30, 2005, the City's investments balances were as follows:

<u>Investment type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Utah Public Treasurer's Investment Fund	\$ 25,265,084	N/A	Unrated
Total	<u>\$ 25,265,084</u>		

Interest Rate Risk. The City has no policy regarding interest rate risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City invests in the Utah Public Treasurer's Investment Fund which is short term.

Credit Risk. The City has no policy regarding credit risk. As a means of limiting its exposure to credit risk, the City invests in the Utah Public Treasurer's Investment Fund. These monies are invested primarily in money market securities and are unrated.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 2 CASH AND INVESTMENTS (Continued)

Investments (continued)

Concentration of Credit Risk. This is the risk that arises due to a failure to adequately diversify investments. The City has no policy regarding concentration of credit risk. At June 30, 2005, 100% of the City's investments were in the Utah Public Treasurer's Investment Fund, and 100% of deposits were at two banks.

Custodial Credit Risk – Deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned to it. The City has no policy regarding custodial credit risk over deposits. As of June 30, 2005, \$12,901,366 of the City's bank balance of \$13,101,366 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City has no policy regarding custodial credit risk over investments. The City has a custodial credit risk exposure related to its investments of \$25,265,084 in the Utah Public Treasurer's Investment Fund, because these investments are uninsured and uncollateralized.

The Utah Public Treasurer's Investment Fund (UPTIF) is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund is not SEC registered. The fair value of the City's position in the fund is the same as the value of the fund shares.

Restricted Assets

General Fund – The restricted cash and investments of \$4,089,277 consist of reserves from impact fees received and funds for construction to be used only for the purpose defined by contract or under legal provisions.

Capital Projects Fund – The restricted cash and investments of \$11,693,787 consist of reserves from impact fees received and funds for construction to be used only for the purpose defined by contract or under legal provisions.

Municipal Building Authority Fund – The restricted cash and investments of \$740,881 consist of reserves from impact fees received and funds for construction to be used only for the purpose defined by contract or under legal provisions.

Park Impact Fee Fund – The restricted cash and investments of \$3,419,550 consist of reserves from impact fees received and funds for park-related use and development to be used only for the purpose defined by contract or under legal provisions.

Fire Impact Fees Fund – The restricted cash and investments of \$214,413 consist of reserves from impact fees received and funds for fire prevention and control to be used only for the purpose defined by contract or under legal provisions.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 2 CASH AND INVESTMENTS (Continued)

Transportation Impact Fee Fund – The restricted cash and investments of \$1,426,736 consist of reserves from impact fees received and funds for road-related use and development to be used only for the purpose defined by contract or under legal provisions.

Police Impact Fee Fund – The restricted cash and investments of \$171,296 consist of reserves from impact fees received and funds for police-related use and development to be used only for the purpose defined by contract or under legal provisions.

Water Fund – The restricted cash and investments of \$737,841 consist of reserves from impact fees received and funds for the City's water distribution system to be used only for the purpose defined by contract or under legal provisions.

Storm Water Fund – The restricted cash and investments of \$1,094,431 consist of reserves from impact fees received and funds for the City's storm water distribution system to be used only for the purpose defined by contract or under legal provisions.

NOTE 3 INVESTMENT IN AND ADVANCES TO JOINT VENTURE

Trans-Jordan Cities Landfill

The Solid Waste Fund has a 6.62% ownership in the Trans-Jordan Cities Landfill (Trans-Jordan), which is accounted for by the equity method. In addition to the City, the Trans-Jordan Cities Landfill is owned by the cities of Midvale, Murray, Sandy, South Jordan, West Jordan, and Riverton which own 6.02%, 9.72%, 34.27%, 9.53%, 26.45%, and 7.39% of the landfill, respectively. Trans-Jordan Cities Landfill is a separate legal entity and political subdivision of the State of Utah and was formed pursuant to the provisions of the Interlocal Cooperation Act. The City has no firm commitment to make additional equity investments in the Trans-Jordan Cities Landfill.

Trans-Jordan Cities Landfill was formed to construct, operate, and maintain a refuse dumping facility. Trans-Jordan is governed by its Board of Directors. Under the organization agreement, the board of directors are appointed by the members. The management is under the board of directors, which elects officers and appoints the management staff.

	<u>Trans-Jordan Cities</u>	<u>Draper City's Share</u>
Total assets	<u>\$ 19,078,472</u>	<u>\$ 1,262,995</u>
Total liabilities	<u>\$ 3,990,222</u>	<u>\$ 264,153</u>
Total equity	<u>\$ 15,088,250</u>	<u>\$ 998,842</u>
Total operating revenues	\$ 5,108,402	\$ 338,176
Total operating expenses	<u>(5,144,530)</u>	<u>(340,568)</u>
Net operating income (loss)	(36,128)	(2,392)
Total non-operating income (expenses)	<u>927,986</u>	<u>61,433</u>
Net income	<u>\$ 891,858</u>	<u>\$ 59,041</u>
Closure and post-closure liability	<u>\$ 3,664,679</u>	<u>\$ 242,602</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 3 INVESTMENT IN AND ADVANCES TO JOINT VENTURE (Continued)

Trans-Jordan Cities Landfill (continued)

The city purchased an equity investment in Trans-Jordan on July 1, 1997. The City agreed to pay a total of \$2,840,000 for a 20% interest in the landfill. In addition to the equity investment, the City will pay the applicable non-member tipping fee for all municipal waste deposited at the Landfill. The difference between the member rate and the non-member rate shall serve as a credit towards the retirement of the purchase amount. Such credits commenced on July 1, 1998. If at the end of the 15 years from July 1, 1998, the credits have not retired the principal sum, the balance of the purchase price shall be forgiven. When the purchase price is paid in full or forgiven, the City will pay the applicable member rate.

The complete financial statements for Trans-Jordan Cities Landfill for the year ended June 30, 2005, can be obtained from Trans-jordan Cities, 10873 South 7200 West, South Jordan, Utah 84095.

NOTE 4 PROPERTY, PLANT, AND EQUIPMENT – ENTERPRISE FUNDS

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Water Fund:

	<u>June 30,</u> <u>2004</u>	<u>Prior period</u> <u>Adjustments</u>	<u>Addition</u>	<u>Deletions</u>	<u>June 30,</u> <u>2005</u>
Office equipment	\$	\$	\$ 9,469	\$	\$ 9,469
Furniture and fixtures	44,964	(781)			44,183
Water lines	5,579,296	3,676,783	11,600		9,267,679
Water valves		1,002,951			1,002,951
Fire hydrants		1,344,247			1,344,247
Water connections/meters		6,507,436	102,000		6,609,436
Water tanks	1,503,226				1,503,226
Pumping stations	1,042,381				1,042,381
Pressure reducing valves	<u> </u>	<u>656,897</u>	<u>120,000</u>	<u> </u>	<u>776,897</u>
Total fixed assets	<u>8,169,867</u>	<u>13,187,533</u>	<u>243,069</u>	<u> </u>	<u>21,600,469</u>
Less accumulated depreciation	<u>(1,628,472)</u>	<u>(3,393,123)</u>	<u>(649,592)</u>	<u> </u>	<u>(5,671,187)</u>
Total net fixed assets	<u>\$ 6,541,395</u>	<u>\$ 9,794,410</u>	<u>\$ (406,523)</u>	<u>\$</u>	<u>\$ 15,929,282</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 4 PROPERTY, PLANT AND EQUIPMENT – ENTERPRISE FUNDS (Continued)

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Storm Water Fund:

	June 30, 2004	Prior period Adjustments	Addition	Deletions	June 30, 2005
Vehicles	\$	\$ 25,090	\$	\$	\$ 25,090
Machinery and equipment	96,091	(25,090)			71,001
Storm drain lines	1,994,152	5,118,703	330,556		7,443,411
Storm drain inlets		5,177,979	94,050		5,272,029
Manholes		1,603,511			1,603,511
Total fixed assets	<u>2,090,243</u>	<u>11,900,193</u>	<u>424,606</u>		<u>14,415,042</u>
Less accumulated depreciation	<u>(113,198)</u>	<u>(3,110,784)</u>	<u>(476,877)</u>		<u>(3,700,859)</u>
Total net fixed assets	<u>\$ 1,977,045</u>	<u>\$ 8,789,409</u>	<u>\$ (52,271)</u>	<u>\$</u>	<u>\$ 10,714,183</u>
Grand total fixed assets - enterprise funds	<u>\$ 10,260,110</u>	<u>\$ 25,087,726</u>	<u>\$ 667,675</u>	<u>\$</u>	<u>\$ 36,015,511</u>
Grand total for accumulated depreciation	<u>\$ (1,741,670)</u>	<u>\$ (6,503,907)</u>	<u>\$ (1,126,469)</u>	<u>\$</u>	<u>\$ (9,372,046)</u>
Grand total net fixed assets - enterprise funds	<u>\$ 8,518,440</u>	<u>\$ 18,583,819</u>	<u>\$ (458,794)</u>	<u>\$</u>	<u>\$ 26,643,465</u>

Depreciation expense was charged to functions/programs of enterprise funds as follows:

Business-type activities:

Water fund	\$ 649,592
Storm water fund	<u>476,877</u>
Total depreciation expense – business-type activities	<u>\$ 1,126,469</u>

A summary of the changes in assets at June 30, 2005, and depreciation expense for the Fleet Management Fund:

	June 30, 2004	Prior period Adjustments	Addition	Deletions	June 30, 2005
Vehicles	\$ 1,328,347	\$ 141,457	\$ 223,765	\$ (141,457)	\$ 1,552,112
Machinery and equipment	<u>983,668</u>	<u>296,177</u>	<u>253,260</u>		<u>1,533,105</u>
Total fixed assets	<u>2,312,015</u>	<u>437,634</u>	<u>477,025</u>	<u>(141,457)</u>	<u>3,085,217</u>
Less accumulated depreciation	<u>(1,108,857)</u>	<u>(283,534)</u>	<u>(427,290)</u>	<u>140,297</u>	<u>(1,679,384)</u>
Total net fixed assets	<u>\$ 1,203,158</u>	<u>\$ 154,100</u>	<u>\$ 49,735</u>	<u>\$ (1,160)</u>	<u>\$ 1,405,833</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 5 CAPITAL ASSETS

Capital assets for the year ended June 30, 2005, were as follows:

	<u>June 30, 2004</u>	<u>Prior period Adjustments</u>	<u>Addition</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Governmental activities:					
Capital assets not depreciated:					
Land	\$ 16,729,354	\$ 31,624,811	\$	\$	\$ 48,354,165
Right of way – canals		660,900			660,900
Right of way – roads		218,502,675	802,510		219,305,185
Construction in progress			5,232,666		5,232,666
Total capital assets not depreciated	<u>16,729,354</u>	<u>250,788,386</u>	<u>6,035,176</u>		<u>273,552,916</u>
Capital assets depreciated:					
Buildings	11,396,725	(1,503,851)			9,892,874
Building improvements	641,935	969,024	25,674		1,636,633
Furniture and fixtures	701,820				701,820
Improvements	5,621,135	(26,545)	75,345		5,669,935
Machinery and Equipment	1,518,783	(1,145,082)	287,957	(29,900)	631,758
Office equipment	1,364,423		238,559		1,602,982
Park assets/ sporting fields	108,556	1,301,490			1,410,046
Paved trails	284,938				284,938
Vehicles	249,183				249,183
Infrastructure: roadways		42,122,057	174,036		42,296,093
Infrastructure: sidewalks	9,079,099		29,941		9,109,040
Infrastructure: street lights	1,067,492		1,200		1,068,692
Infrastructure: surfaces – parking lots	351,602				351,602
Infrastructure: traffic lights	44,517				44,517
Total capital assets depreciated	<u>32,430,208</u>	<u>41,717,093</u>	<u>832,712</u>	<u>(29,900)</u>	<u>74,950,113</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 5 CAPITAL ASSETS (Continued)

	<u>June 30, 2004</u>	<u>Prior period Adjustments</u>	<u>Addition</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Less accumulated depreciation for:					
Buildings	566,717	(134,273)	230,379		662,823
Building improvements	264,433	134,273	74,158		472,864
Furniture and fixtures	204,270		85,615		289,885
Improvements	1,098,578	(10,185)	332,031		1,420,424
Machinery and Equipment	950,221	(741,415)	31,542	(10,678)	229,670
Office equipment	714,044		318,324		1,032,368
Park assets/ sporting fields		360,160	55,139		415,299
Paved trails	91,460		14,247		105,707
Vehicles	81,056		49,837		130,893
Infrastructure: roadways	236,842	14,585,060	2,286,498		17,108,400
Infrastructure: sidewalks		2,341,434	303,635		2,645,069
Infrastructure: street lights		678,400	62,029		740,429
Infrastructure: surfaces – parking lots	74,061		13,608		87,669
Infrastructure: traffic lights	13,534		1,195		14,729
Total accumulated depreciation	<u>4,295,216</u>	<u>17,213,454</u>	<u>3,858,237</u>	<u>(10,678)</u>	<u>25,356,229</u>
Total capital assets depreciated, net	<u>28,134,992</u>	<u>24,503,640</u>	<u>(3,025,526)</u>	<u>(19,222)</u>	<u>49,593,884</u>
Governmental activities capital assets, net	<u>\$ 44,864,346</u>	<u>\$ 275,292,027</u>	<u>\$ 3,009,649</u>	<u>\$ (19,222)</u>	<u>\$ 323,146,800</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 1,121,884
Public safety	317,243
Highway and public improvements	2,349,724
Parks and recreation	<u>69,386</u>
Total depreciation expense – governmental activities	<u>\$ 3,858,237</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The purpose of the transfers was to provide cash flow and pay operating expenses. The composition of interfund balances (due to/from primary government and component units) as of June 30, 2005, is as follows:

<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Amount</u>
General fund	Fire impact fees fund	\$ 200,000
Capital projects fund	Fire impact fees fund	480,000
Water fund	Capital projects fund	<u>250,000</u>
Total		<u>\$ 930,000</u>

NOTE 7 ACCRUED COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation time which will be paid to employees upon termination. Accumulated sick leave is not paid to City employees upon termination. At June 30, 2005, a current liability of \$65,264 and \$2,068 was accrued in the general governmental activities and the business-type activities, respectively for accrued vacation time. The non-current portion of compensated absences in the amount of \$261,058 has been accrued in the general governmental activities. The non-current portion of compensated absences in the amount of \$8,277 has been accrued in the business-type activities.

NOTE 8 INTERFUND TRANSFERS

Individual fund operating transfers for fiscal year 2005 were as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 249,480	\$ 9,887,710
Municipal Building Authority	849,044	
Capital projects	18,227,052	1,196,024
Fire impact fee		100,302
Transportation impact fee	250,289	3,778,688
Park impact fee	4,197	1,835,546
Police impact fee		73,250
Storm water fund	550,868	1,085,600
Solid waste fund	248,240	1,405,000
Redevelopment Agency	<u>142,430</u>	<u>1,159,480</u>
Total all funds	<u>\$ 20,521,600</u>	<u>\$ 20,521,600</u>

Management and the City Council made the transfers for capital projects and cash flow needs of the other funds for the year ended June 30, 2005.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS

The following is a summary of long-term obligation transactions of the City for the fiscal year ended June 30, 2005:

	June 30, 2004	Addition	Deletions	June 30, 2005
General governmental activities:				
Bonds payable:				
General obligation bonds	\$	\$ 7,000,000	\$	\$ 7,000,000
Sales tax revenue bonds	4,100,000		(145,000)	3,955,000
Municipal Building Authority				
lease revenue bonds	9,447,000		(320,000)	9,127,000
Less deferred amounts	(201,263)	58,139	15,750	(127,374)
Total bonds payable	13,345,737	7,058,139	(449,250)	19,954,626
Compensated absences	184,293	142,029		326,322
Total governmental activities				
long-term debt	<u>\$ 13,530,030</u>	<u>\$ 7,200,168</u>	<u>\$ (449,250)</u>	<u>\$ 20,280,948</u>
Business-type activities:				
Bonds payable:				
Water revenue bonds	\$ 315,000	\$	\$ (45,000)	\$ 270,000
Less deferred amounts	(11,394)		1,899	(9,495)
Total bonds	303,606		(43,101)	260,505
Compensated absences	3,340	7,005		10,345
Total business-type activities				
long-term debt	<u>\$ 610,552</u>	<u>\$ 7,005</u>	<u>\$ (43,101)</u>	<u>\$ 270,850</u>
Fleet operations internal				
service activities:				
Capital lease obligations	\$ 495,841	\$ 368,209	\$ (206,169)	\$ 657,881
Total fleet operations internal				
service activities long-term	<u>\$ 495,841</u>	<u>\$ 368,209</u>	<u>\$ (206,169)</u>	<u>\$ 657,881</u>

RDA Agreements

The Redevelopment Agency of the City of Draper has entered into various agreements to pay construction costs associated with the Ballard Medical Industrial Park/West Freeway Project and the Kohl's Department Store/Crescent Project. The Redevelopment Agency is repaying the amounts due under the agreements with funds received from property tax increment revenue. If the revenue is never received, the City and Redevelopment Agency are not obligated to repay the debt.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

RDA Agreements (continued)

At June 30, 2005, the terms and conditions of each agreement are as follows:

Agreement to pay \$1,300,000 to American Heritage – Draper, LLC, no interest is due on the repayment, repayment is to be paid from 20% of the property tax increment revenue related to the project area for site improvements in the West Freeway Project. \$ 410,881

Agreement to pay \$500,000 to the City of Draper, no interest, is due on the repayment, repayment is to be paid from the property tax increment revenue related to American Heritage – Draper, LLC for building permit and impact fees for site improvements in the West Freeway Project. 180,349

Agreement dated January 6, 2004, to make annual principal and interest payments of \$223,183 to Kohl's Department Stores, Inc. These payments are to be paid from the Tax Increment generated from the Kohl's Department Stores, Inc tract. According to the agreement, payments are required to be paid to Kohl's Department Stores, Inc "until such point in time as the net present value of the payments received by Kohl's Department Stores, Inc calculated at a 6% discount rate from the Opening Date equals an aggregate total of \$1,642,648." The Opening date was November 1, 2004. This tract was put on the tax rolls January 1, 2005. The first payment is anticipated to be made under this agreement on February 1, 2006. 1,642,648

Agreement date January 6, 2004, to make annual principal and interest payments of \$281,945 to Draper Peaks, LLC. These payments are based on amortization of the Agency Reimbursement amount of \$3,233,894 (based on a 20 year amortization schedule with interest at the rate of 6% per annum). The payments will be paid from the Tax Increment generated from Draper Peaks LLC's tract. This tract was put on the tax rolls January 1, 2005. The first payment is anticipated to be made under this agreement on February 1, 2006. 3,233,894

Total \$ 5,467,772

General Obligation Bonds Payable

During the fiscal year ended June 30, 2005, the City issued Series 2005 General Obligation Bonds to provide funds for the acquisition of land in order to preserve open space within the City. These general obligation bonds were issued for governmental activities. The original amount of general obligation bonds issued during fiscal year ended June 30, 2005 was \$7,000,000. These bonds have a stated rate of interest ranging from 3.00% to 4.50%. The first principal payment is due on February 1, 2006. Principal payments are payable on February 1 of each year, maturing with the February 1, 2025 payment. Interest is paid semi-annually on February 1 and August 1.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Defeased Bonds

Upon issuance of the Series 2002B Bonds, an amount equal to \$2,231,111 from the proceeds of the Series 2002B Bonds, along with \$264,043 was deposited in the debt service reserve fund created with respect to the Refunded Bonds, was transferred to U.S. Bank, N.A., as paying agent for the holders of the Refunded Bonds, which amount is (a) irrevocably pledged for the retirement and defeasance of the Refunded Bonds, and (b) sufficient to defease the Refunded Bonds as provided in the proceedings which authorized the issuance of the Refunded Bonds.

The Municipal Building Authority defeased \$2,430,000 of the Series 2000, Lease Revenue Bonds by placing \$2,495,154 of the proceeds of the Series 2002B, Lease Revenue and Refunding Bonds in an irrevocable trust to provide for all future debt service payments on the Series 2000, Lease Revenue Bonds.

Annual debt service requirements to maturity for the 2002B bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 330,000	\$ 195,465	\$ 525,465
2007	240,000	284,525	524,525
2008	250,000	277,325	527,325
2009	255,000	267,950	522,950
2010	265,000	258,388	523,388
2011-2015	1,505,000	1,121,252	2,626,252
2016-2020	1,855,000	772,501	2,627,501
2021-2025	<u>2,300,000</u>	<u>319,500</u>	<u>2,619,500</u>
Total	<u>\$ 7,000,000</u>	<u>\$ 3,496,906</u>	<u>\$ 10,496,906</u>

Sales Tax Revenue Bonds

During the fiscal year ended June 30, 2005, the City issued \$4,100,000 of Series 2004 Sales Tax Revenue Bonds to finance the costs of designing and constructing a city street that will run from Bangerter Highway to Highland Drive. These bonds have a stated rate of interest ranging from 2.50% to 4.45%. The first principal payment of \$145,000 was made on May 1, 2005. Principal payments are payable on May 1 of each year, maturing with the May 1, 2024 payment. Interest is paid semi-annually on May 1 and November 1.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Sales Tax Revenue Bonds (continued)

Annual debt service requirements to maturity for these sales tax revenue bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 150,000	\$ 160,813	\$ 310,813
2007	155,000	157,063	312,063
2008	155,000	152,800	307,800
2009	160,000	148,150	308,150
2010	165,000	142,950	307,950
2011-2015	930,000	617,038	1,547,038
2016-2020	1,135,000	410,637	1,545,637
2021-2024	<u>1,105,000</u>	<u>132,540</u>	<u>1,237,540</u>
Total	<u>\$ 3,955,000</u>	<u>\$ 1,921,991</u>	<u>\$ 5,876,991</u>

Municipal Building Authority Lease Revenue Bonds

During the fiscal year ended June 30, 2003, the Municipal Building Authority of Draper City issued \$1,187,000 of Series 2003 Lease Revenue Bonds to finance the costs of the public works building construction and related improvements. These bonds have a stated rate of interest ranging from 2.20% to 4.45%. The first principal payment of \$116,000 is due on September 1, 2005. Principal payments are payable on September 1 of each year, maturing with the September 1, 2013 payment. Interest is paid semi-annually on March 1 and September 1.

Annual debt service requirements to maturity for these lease revenue bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 116,000	\$ 40,982	\$ 156,982
2007	118,000	38,172	156,172
2008	122,000	34,808	156,808
2009	126,000	30,899	156,899
2010	130,000	26,512	156,512
2011-2014	<u>575,000</u>	<u>50,980</u>	<u>625,980</u>
Total	<u>\$ 1,187,000</u>	<u>\$ 222,353</u>	<u>\$ 1,409,353</u>

During the fiscal year ended June 30, 2003, the Municipal Building Authority of Draper City issued \$7,770,000 of Series 2002B Lease Revenue and Refunding Bonds to finance the costs of the city hall construction and to refund the Series 2000 Lease Revenue Bonds. These bonds have a stated rate of interest ranging from 4.15% to 5.00%. The first principal payment of \$85,000 was made on May 15, 2005. Principal payments are payable on May 15 of each year, maturing with the May 15, 2024 payment. Interest is paid semi-annually on May 15 and November 15.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Municipal Building Authority Lease Revenue Bonds (continued)

Annual debt service requirements to maturity for these lease revenue bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 260,000	\$ 329,881	\$ 589,881
2007	270,000	319,091	589,091
2008	280,000	307,886	587,886
2009	295,000	296,266	591,266
2010	305,000	284,024	589,024
2011-2015	1,725,000	1,219,881	2,944,881
2016-2020	2,140,000	817,176	2,957,176
2021-2024	<u>2,090,000</u>	<u>517,071</u>	<u>2,607,071</u>
Total	<u>\$ 7,365,000</u>	<u>\$ 4,091,276</u>	<u>\$ 11,456,276</u>

During the fiscal year ended June 30, 2002, the Municipal Building Authority of Draper City issued \$710,000 of Series 2002 Lease Revenue Bonds to finance the cost to construct a fire station. These bonds have a stated rate of interest ranging from 3.30% to 4.85%. The first principal payment of \$65,000 was paid on March 1, 2004. Principal payments are payable on March 1 of each year, maturing with the March 1, 2012 payment. Interest is paid semi-annually on March 1 and September 1.

Annual debt service requirements to maturity for these lease revenue bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 70,000	\$ 26,178	\$ 96,178
2007	75,000	23,343	98,343
2008	80,000	20,118	100,118
2009	80,000	16,558	96,558
2010	85,000	12,878	97,878
2011-2012	<u>185,000</u>	<u>13,491</u>	<u>198,491</u>
Total	<u>\$ 575,000</u>	<u>\$ 112,566</u>	<u>\$ 687,566</u>

Water Revenue Bonds

During the fiscal year ended June 30, 1995, the City issued \$590,000 of Series 1995 Water Revenue Bonds to finance the cost of improvements to the City's culinary water system. These bonds have a stated rate of interest ranging from 5.15% to 7.00%. The first principal payment of \$10,000 was paid on June 1, 1996. Principal payments are payable on June 1 of each year, maturing with the June 1, 2010 payment. Interest is paid semi-annually on June 1 and December 1.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Water Revenue Bonds (continued)

Annual debt service requirements to maturity for the water revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 50,000	\$ 18,500	\$ 68,500
2007	50,000	15,200	65,200
2008	55,000	11,900	66,900
2009	55,000	8,050	63,050
2010	<u>60,000</u>	<u>4,200</u>	<u>64,200</u>
Total	<u>\$ 270,000</u>	<u>\$ 57,850</u>	<u>\$ 327,850</u>

Capital Leases

During the year ended June 30, 2003, the City entered into a lease agreement to finance the acquisition of police vehicles. The original lease was for \$612,000 payable in semi-annual payments of \$65,661 including interest at 2.60%. Final payment is due on April 1, 2008.

During the year ended June 30, 2005, the City entered into a lease agreement to finance the acquisition of sewer cleaning equipment. The original lease was for \$223,170 payable in annual payments of \$50,921 including interest at 4.56%. Final payment is due on July 8, 2009.

During the year ended June 30, 2005, the City entered into a lease agreement to finance the acquisition of a street sweeper. The original lease was for \$149,039 payable in annual payments of \$52,781 including interest at 4.52%. Final payment is due on July 14, 2007.

The assets acquired through capital leases are as follows:

	<u>Original cost</u>	<u>Less accumulated depreciation</u>	<u>Total net value</u>
Police vehicles	\$ 612,000	\$ 293,994	\$ 318,006
Sewer cleaning equipment	223,170	29,756	193,414
Street sweeper	<u>149,039</u>	<u>9,325</u>	<u>139,714</u>
Total	<u>\$ 984,209</u>	<u>\$ 333,075</u>	<u>\$ 651,134</u>

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 9 LONG-TERM OBLIGATIONS (Continued)

Capital Leases (continued)

The future minimum lease obligations plus interest on these minimum lease payments as of June 30, 2005, are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 213,236	\$ 21,788	\$ 235,024
2007	220,563	14,461	235,024
2008	175,381	6,862	182,243
2009	<u>48,701</u>	<u>2,221</u>	<u>50,922</u>
Total	<u>\$ 657,881</u>	<u>\$ 45,332</u>	<u>\$ 703,213</u>

NOTE 10 RETIREMENT PLANS

Plan Description

The City contributes to the Local Governmental Noncontributory Retirement System and Public Safety Retirement System, which are for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes as amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake city, UT 84102 or by calling (800) 365-8772.

Funding Policy

The City is required to contribute a percent of covered salary to the respective systems, 11.09% to the Local Government Noncontributory Retirement System and 19.08% to the Public Safety Retirement System. The contribution rates are the actuarially determined rates. The contribution requirements of the systems are authorized by statute and specified by the board.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 10 RETIREMENT PLANS (Continued)

Funding Policy (continued)

The City's contributions to the Local Governmental Noncontributory Retirement System for the years ended June 30, 2005, 2004 and 2003 were \$364,177, \$318,372, and \$266,095, respectively. The salaries subject to retirement contributions for the same periods were \$3,280,451, \$3,309,475, and \$3,062,081 respectively. The Public Safety Retirement System contributions for June 30, 2005, 2004, and 2003 were \$137,102, \$86,734 and \$2,981, respectively. The salaries subject to noncontributory contributions were \$718,561, \$534,078, and \$22,437 respectively. The contributions were equal to the required contributions for each year.

IRS Code Section 401(k) Plan

The City also participates in a defined contribution 401(k) Plan through the Utah State Retirement Systems. Contributions may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Employer paid contribution for the years ended June 30, 2005, 2004, and 2003 were \$114,198, \$107,406, and \$51,933 respectively.

IRC Code Section 457 Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of the salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Employer paid contribution for the years ended June 30, 2005, 2004, and 2003 were \$14,750, \$487, and \$0 respectively.

NOTE 11 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries commercial insurance. This insurance covers all of these risks except natural disasters. The government is self insured for risk of loss involving employees, which amounts are based on work risk factors and experience as set forth by worker's compensation insurance.

The City is also a member of the Utah Risk Management Mutual Association (URMMA) which is an insurance pool of municipalities in the state for liability insurance. The pool purchases umbrella insurance against large claims, and each city has a \$7,500 deductible before the pool pays from its reserves and/or policy.

CITY OF DRAPER
NOTES TO BASIC FINANCIAL STATEMENTS
For The Year Ended June 30, 2005

NOTE 12 REDEVELOPMENT AGENCY

In accordance with Utah State law, the City makes the following disclosures relative to the Draper City Redevelopment Agency (RDA): The RDA collected \$1,638,988 of tax increment monies for its project areas of which \$869,460 was paid to developers of the projects. None of these funds were paid out to any taxing agency. The RDA has no outstanding bonds or other loans incurred to finance costs associated with its project area. During 2005, the RDA expended \$574,631 for property acquisitions and site improvements, and \$249,480 for administrative costs.

NOTE 13 CUSTOMER DEPOSITS

Customer deposits are principally deposits from customers that are held by the City for water connections until such time for refund is warranted.

NOTE 14 CONTINGENT LIABILITIES

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 15 GRANTS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the City's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable funds. Based on prior experience, the City administration believes such disallowance, if any, would be immaterial.

SUPPLEMENTAL INFORMATION

CITY OF DRAPER
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue Funds						Total Major Special
	Municipal Building Authority	Fire	Transportation	RDA	Police	Traverse Ridge	
Assets:							
Current assets:							
Cash and cash equivalents	\$ 1,028,006	\$	\$	\$ 960,513	\$	\$ 323,336	\$ 2,311,855
Total current assets	1,028,006			960,513		323,336	2,311,855
Restricted assets:							
Cash and cash equivalents	740,881	214,414	1,426,736		171,296		2,553,327
Total restricted asset	740,881	214,414	1,426,736		171,296		2,553,327
Total assets	\$ 1,768,887	\$ 214,414	\$ 1,426,736	\$ 960,513	\$ 171,296	\$ 323,336	\$ 4,865,182
Liabilities:							
Current liabilities:							
Accounts payable	\$	\$ 150	\$	\$	\$	\$ 3,369	\$ 3,519
Due to other funds		680,000					680,000
Total current liabilities		680,150				3,369	683,519
Total liabilities		680,150				3,369	683,519
Net assets:							
Reserved for:							
Impact fees		(465,736)	1,426,736		171,296	319,967	1,132,296
Unreserved - undesignated	1,768,887			960,513			3,049,367
Total net assets	1,768,887	(465,736)	1,426,736	960,513	171,296	319,967	4,181,663
Total liabilities and net assets	\$ 1,768,887	\$ 214,414	\$ 1,426,736	\$ 960,513	\$ 171,296	\$ 323,336	\$ 4,865,182

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENT FUNDS
For The Year Ended June 30, 2005

	Special Revenue Funds					Total Special Revenue
	Municipal Building Authority	Fire	Transportation	RDA	Police	Traverse Ridge
Revenue:						
Property taxes	\$	\$	\$	\$	\$	\$
Impact fees	37,621	307,378	1,487,470	1,638,988	140,507	2,059,240
Interest income		1,024	51,645	24,326	1,490	1,935,355
						129,063
Total revenue	37,621	308,402	1,539,115	1,663,314	141,997	4,123,658
Expenses:						
Interest and debt service costs						
General government	734,286			869,460		1,603,746
Highway and public improvements				249,480		249,539
Capital outlay				574,631		172,670
						60,151
						634,782
Total expenses	734,286			1,693,571		2,660,737
Excess of revenue over (under) expenses	(696,665)	308,402	1,539,115	(30,257)	141,997	1,462,921
Other financing sources (uses):						
Transfers in	849,044		250,289	142,431		1,241,764
Transfers out		(100,302)	(3,778,688)	(1,159,480)	(73,250)	(5,111,720)
Total other financing sources (uses)	849,044	(100,302)	(3,528,399)	(1,017,049)	(73,250)	(3,869,956)
Excess revenue and other financing sources over (under) expenses and other uses	152,379	208,100	(1,989,284)	(1,047,306)	68,747	(2,407,035)
Fund balances - beginning	1,616,508	(673,836)	3,416,020	2,007,819	102,549	6,588,698
Fund balances - ending	\$ 1,768,887	\$ (465,736)	\$ 1,426,736	\$ 960,513	\$ 171,296	\$ 4,181,663

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For The Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget		
Revenues:				
Miscellaneous	\$	\$ 722,500	\$	\$ (722,500)
Interest income	10,000	10,000	74,202	64,202
Total revenues	10,000	732,500	74,202	(658,298)
Expenses:				
Capital outlay	8,141,433	24,404,448	7,750,503	16,653,945
Total expenses	8,141,433	24,404,448	7,750,503	16,653,945
Excess of revenue over (under) expenses	(8,131,433)	(23,671,948)	(7,676,301)	15,995,647
Other financing sources (uses):				
Transfers in	2,159,457	18,354,614	18,227,052	(127,562)
Transfers out			(1,196,025)	(1,196,025)
Total other financing sources (uses)	2,159,457	18,354,614	17,031,027	(1,323,587)
Excess of revenues and other financing sources over (under) expenses and other uses	\$ (5,971,976)	\$ (5,317,334)	9,354,726	\$ 14,672,060
Fund balance, beginning of year			6,761,501	
Fund balance, end of year			\$ 16,116,227	

The accompanying notes are an integral part of these financial statements.

CITY OF DRAPER
MANAGEMENT REPORT
For The Year Ended June 30, 2005

CITY OF DRAPER
MANAGEMENT REPORT
For The Year Ended June 30, 2005

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and
Members of the City Council
City of Draper
Draper, Utah

We have audited the financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Draper, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City of Draper, Utah, basic financial statements and have issued our report thereon dated December 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Draper's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Draper's, Utah, financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the City of Draper in the accompanying *Schedule of Findings and Questioned Costs*.

This report is intended solely for the information and use of the Mayor, City Council and management of the City of Draper, the Utah State Auditor's Office, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co. P.C.

Sandy, Utah
December 30, 2005

INDEPENDENT AUDITORS' REPORT ON
LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS

Honorable Mayor and
Members of City Council
City of Draper
Draper, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Draper, for the year ended June 30, 2005, and have issued our report thereon dated December 30, 2005. As part of our audit, we have audited the City of Draper's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major State assistance program from the State of Utah.

B&C Road Funds (Department of Transportation)

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

- Public Debt
- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Liquor Law Enforcement
- Justice Courts Compliance
- B & C Road Funds
- Other General Compliance Issues
- Uniform Building Code Standards
- Impact Fees

The management of the City of Draper is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Questioned Costs*. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Draper complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

This report is intended solely for the information of management and the Utah State Auditors, and is not intended to be and should not be used by anyone other than the specified parties.

Wiggins & Co. P.C.

Sandy, Utah

December 30, 2005

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINANCIAL STATEMENT AUDIT – FINDINGS FOR YEAR ENDED 2004

#1 BANK RECONCILIATION

Finding

The City's bank accounts were not being reconciled accurately to the general ledger. Accurate reconciliation of the bank accounts to the general ledger is an important internal control. The reconciliation procedures help ensure that all cash of the City is accounted for properly in the balance sheet and that no improprieties have occurred. Proper management of the City is hindered if the financial statements do not reflect accurate cash balances.

Recommendation

The City's Finance Department train the accountant who prepares the bank reconciliation so the reconciliation agrees with the general ledger on a monthly basis.

Response

The City will train the accounting staff to prepare the monthly bank reconciliation so that they agree with the general ledger and reflect accurately the cash position of the City.

Current Status

The City is reconciling the bank statements on a monthly basis to the general ledger.

#2 ANALYSIS OF GENERAL LEDGER DETAIL

Finding

The City's Finance Department did not review the City's general ledger on a consistent and regular basis. Therefore, during the prior audit, 211 audit adjusting journal entries were prepared. Many of the entries were to fix cash receipt and disbursement account coding errors. The Finance Department needs to review the general ledger detail thoroughly each month to fix account coding errors so financial statements prepared by the City more accurately reflect the intentions of City management.

Recommendation

The City's Finance Department should have a general ledger accountant who understands the City's funds and reviews the general ledger detail monthly, so corrections of cash receipt and disbursement coding errors are done in a timely manner.

Response

The City will review the general ledger detail each month so that necessary corrections are done in a timely manner.

Current Status

The City's Finance Department is reviewing the general ledger detail monthly.

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – YEAR ENDED 2004

#1 EXCESS OF EXPENSES OVER APPROPRIATIONS

Finding

Section 10-5-115 of the Utah Code states that cities shall not incur expenses in excess of total appropriations for any department or fund. The following general fund departments and fund had an excess of expenses over appropriations:

	<u>Total Expenses</u>	<u>Final Amended Budget</u>	<u>Excess</u>
General fund:			
Streets	\$ 671,713	\$ 659,058	\$ 12,655
Nondepartmental	700,088	626,012	74,076
Community Events	130,586	130,425	161

Recommendation

The City should comply with Utah Code by limiting expenses or adjusting departmental and fund budgets accordingly.

Response

The City's Finance Department will monitor expenses and revenues and recommend amendments to the budget so that the fiscal year ends within budget and ensure that the City complies with Utah Code Section 10-5-115.

Current Status

The City's management are working on this.

#2 JUSTICE COURTS – MONTHLY REPORTING

Finding

Utah Code section 51-4-2 states that all justice courts, having funds due to the State, should pay all funds due by the 10th of the following month. The city's justice court submitted the State's share of funds after the 10th day in two out of twelve instances.

Recommendation

The City should comply with Utah Code and submit the State's share of funds by the 10th day of the following month.

Response

The City will make every effort to remit State funds by the 10th day of the following month for all Justice Court collected State funds.

Current Status

This finding was not resolved in the current year.

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – YEAR ENDED 2004 (Continued)

#3 JUSTICE COURTS – FINES AND FORFEITURES

Finding

The City's Justice Court failed to charge the \$10 traffic mitigation surcharge for conviction of a moving traffic violation.

Recommendation

The City's Justice Court should review its moving traffic violations carefully to ensure that the \$10 traffic mitigation surcharge is always assessed.

Response

The City will make every effort to refine the moving traffic violation process to assure that all surcharges are properly assessed.

Current Status

The City is accurately assessing the traffic mitigation surcharge on all traffic violations.

#4 BUDGETS

Finding

The City amended its budget during the year ended June 30, 2004, 20 times. Budgets of governmental fund types may only be increased after a proper public hearing is held as required by law. The City advertised for its public hearing only 10 of 20 required times.

Recommendation

The City should comply with Utah law by advertising the public hearing in a local newspaper prior to the public hearing. In addition, the City should consider why the budget needed to be amended 20 times. In most instances two or three budget amendments per year should be sufficient.

Response

The City will implement a new amendment calendar that reduces the number of amendments. The City will also review its internal controls to assure that proposed amendments would be properly noticed.

Current Status

The City has properly advertised the public hearing for the budget amendment in a local newspaper. The City has also implemented an amendment control to reduce the number of amendments.

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – YEAR ENDED 2004 (Continued)

#5 BUDGETED PROPERTY TAX REVENUES

Finding

Utah State Tax Commission requires the filing of form TC-693, "Tax Rate Summary". The form includes a column, "Budgeted Revenue". The amounts in that column should be the same as the revenue amounts in the City's adopted budget. Total budgeted revenue on form TC-693 was \$2,276,217, whereas, the City's adopted budget for property tax revenue was \$2,255,546.

Recommendation

The City should ensure its budgeted property tax revenue agree with the budgeted revenue reported on form TC-693.

Response

The City will review its internal controls to assure that forms submitted to outside agencies accurately reflect actual City Council adopted measures.

Current Status

The City has complied with this requirement.

#6 EXCESS GENERAL FUND BALANCE

Finding

Section 10-6-116 (2) of the Utah Code states that the accumulation of a fund balance in the General Fund shall not exceed 18% of the total estimated revenue of the General Fund. The State Auditor has determined that money received with restrictions on expenses, such as Class C Road Funds and Liquor Allotment Funds, should not be included in computing excess fund balances. The fund balance in the City of Draper's General Fund exceeds this limit:

Total estimated general fund revenues	\$ 13,672,719
Less: Class C Road Funds, Liquor Allotment Funds, Community Development Block Grant, and Police Grants	<u>(1,332,642)</u>
Non-restricted general fund reserves	12,340,077
Percentage limitation	<u>18%</u>
Maximum fund balance allowed	2,221,214
General fund unreserved fund balance	<u>3,404,894</u>
Excess fund balance in general fund	<u>\$ 1,183,680</u>

Recommendation

The City should eliminate the excess fund balance as soon as possible to comply with Utah law.

Response

The City will amend its budget to address excess accumulation of fund balance so as to remain in compliance with Utah Code Section 10-6-116 (2).

Current Status

The City is the process of correcting this.

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – YEAR ENDED 2004 (Continued)

#7 DEFICIT FUND BALANCE

Finding

Utah Code Section 10-6-117 (1) states fund deficits are not allowed. The City has one fund, Fire Protection Impact Fund, with a deficit of \$673,836 at June 30, 2004. The deficit was created when the new South Mountain fire station cost more than the fund had in available equity. The fund borrowed \$680,000 from other funds to pay its expenses, which created the deficit fund balance.

Recommendation

The City should eliminate the fund balance deficit as soon as possible to comply with Utah law.

Response

The City will eliminate the deficit in the Fire Protection Impact Fund as soon as possible so as to remain in compliance with Utah Code Section 10-6-117 (1).

Current Status

The City still has a deficit in this fund.

#8 BUILDING PERMITS – LATE FILING

Finding

Title 58-56-9 (4) requires that each city charge a 1% surcharge on all building permits issued and remit 80% to the Division of Occupational and Professional Licensing no later than 30 days following the end of each quarter. The City filed two of the four reports late.

Recommendation

The City should implement controls to ensure that the quarterly reports be submitted in a timely manner.

Response

The City will make every effort to remit State funds no later than 30 days following the end of each quarter for all building permits collected to the Division of Occupational and Professional Licensing.

Current Status

The City is filing the quarterly reports in a timely manner.

CITY OF DRAPER
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – YEAR ENDED 2004 (Continued)

#9 BUILDING PERMITS – UNDER-REMITTANCE OF FUNDS

Finding

Title 58-56-9 (4) requires that each compliance agency charge a 1% surcharge on all building permits issued and remit 80% to the state. The City under-reported building permit fees collected during the year ending June 30, 2004. The City inadvertently failed to include two months of collected fees in the June 30, 2004 quarterly report. This resulted in under-remitting \$1,890 to the State of Utah for the fiscal year. In October 2004, the City included the \$1,890 in the September 30, 2004 quarterly report.

Recommendation

The City should implement controls to ensure that the quarterly reports be submitted accurately.

Response

The City will correct the under-remittance of funds for the June 2004 payment. The Finance Department will make every effort to remain in compliance with State law.

Current Status

This finding was not resolved in the current year.

CITY OF DRAPER
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – CURRENT PERIOD

#1 JUSTICE COURTS

Finding

Utah Code Section 51-4-2 states that all justice courts, having funds due to the State, should pay all funds due by the 10th of the following month. The City's justice court submitted the State's share of funds after the 10th day in three out of twelve instances.

Recommendation

The City should comply with Utah Code and submit the State's share of funds by the 10th day of the following month.

Response

The City will make every effort to remit State fund by the 10th day of the following month for all justice court collected State funds.

#2 BUILDING PERMITS – UNDER-REMITTANCE OF FUNDS

Finding

Title 58-56-9 (4) requires that each compliance agency charge a 1% surcharge on all building permits issued and remit 80% to the state. The City under-reported building permit fees collected during the year ended June 30, 2005. The City inadvertently failed to include five months of collected fees in the reports for the year ended June 30, 2005. This resulted in under-remitting \$4,225 to the State of Utah for the fiscal year.

Recommendation

The City should implement controls to ensure that the quarterly reports be submitted accurately.

Response

The City will correct the under-remittance of funds and will make every effort to remain in compliance with State law.

#3 EXCESS GENERAL FUND BALANCES

Finding

Section 10-6-116 (2) of the Utah code requires the fund balance of the general fund not exceed 18% of the estimated general fund revenue. The fund balance of the general fund exceeds this limit.

Estimated revenue	<u>\$ 17,180,079</u>
The 18% maximum allowed	3,092,414
General fund balance	<u>4,586,750</u>
Excess fund balance	<u>\$ 1,494,336</u>

Recommendation

The City should eliminate the excess fund balance as soon as possible to comply with Utah Law.

CITY OF DRAPER
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2005

FINDINGS – STATE OF UTAH LEGAL COMPLIANCE – CURRENT PERIOD (Continued)

#3 EXCESS GENERAL FUND BALANCES (Continued)

Response

The City has budgeted appropriations from fund balance so as to remain in compliance with Utah Code Section 10-6-116(2).

#4 EXCESS EXPENSES OVER BUDGET

Finding

The City incurred expenses in excess of budget.

	<u>Actual Expenses</u>	<u>Final Budget</u>	<u>Excess</u>
General fund:			
Capital outlay	299,057	83,750	215,307

Recommendation

The City should comply with Utah code by limiting expenses to budgeted amounts.

Response

The capital outlay expenses were budgeted in various funds, but were transferred to the General Fund during the audit. The appropriated budgets were not transferred. If the actual expenses exceeded budgeted amounts, the City will make every effort to remain in compliance with State law concerning the over expenditure of budgeted amounts.

#5 DEFICIT FUND BALANCE

Finding

Utah Code Section 10-6-117 (1) states fund deficits are not allowed. The City has one fund, Fire Protection Impact Fund, with a deficit of \$465,736 at June 30, 2005. The deficit was created when the new South Mountain fire station construction costs were more than the fund had in available equity. The fund borrowed \$680,000 from other funds to pay for the construction costs, which created the deficit fund balance.

Recommendation

The City should eliminate the fund balance deficit as soon as possible to comply with Utah law.

Response

The City will eliminate the deficit in the Fire Protection Impact Fee as soon as possible so as to remain in compliance with Utah Code Section 10-6-117(1).